

THE FINANCIAL CONNECTION

ON THE INTERNET

Taking Benefit Payments To World-Class Heights

BY ELEANOR KELLY AND SHEILA KREMER

'PUTTING CUSTOMERS FIRST' has become more than a slogan for some Federal agencies.

The Financial Management Service, Department of the Treasury, and Federal program agencies have formed strategic partnerships and alliances to ensure world-class delivery of Federal Government payments. Three changes that affect benefit payment processes exemplify FMS' efforts to meet and exceed customer needs from basic operations to customer-tailored financial management services. The changes—required use of electronic funds transfer (EFT), automated enrollment, and **Social Security Administration (SSA)** payment cycling—support one objective: improving quality service and providing world-class payments delivery to customers.

Here are the changes in detail:


Required Use of EFT

While Direct Deposit is not new, recent Federal legislation significantly affects the

■ **Mandatory EFT**

■ **Automated Enrollment**

■ **Payment Cycling**



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AFTER THE TOIL IT'S TIME TO CELEBRATE, AND THAT they did January 8. The Financial Management Service joined with its partners to cheer the successful startup of the Electronic Federal Tax Payment System (EFTPS). FMS Commissioner Russell D. Morris, left, poses with representatives of the Federal Reserve during the presentation of certificates of appreciation. With Commissioner Morris, from left, are: Marybeth Butkus, FRB Philadelphia; Tony Love, FRB Atlanta; Mel Purcell and Beth Cooper, FRB Atlanta (Nashville branch); and Kathy Williams, FRB Chicago.

Coverage continues on page 11. And on page 10, read how one Michigan user is benefiting from the system.

Helping to Fund Our Capital City

BY FRED WILLIAMS

IMPROVING THE administration of Federal grants to the District of Columbia highlighted a first-of-the-year, first-of-a-kind summit of D.C. and Federal officials, including representatives from the Financial Management Service. FMS' Program Compliance and Evaluation Division participated in the District's first "Grants Management Summit," January 15-16. More than 100 program directors, grants managers, and grants administrators from the District participated in the event, a component of the city's financial management reform initiative.

The District of Columbia receives Federal grant funds from approximately 20 Federal agencies. In fiscal 1996, 24 District agencies received Federal grant awards from \$10,000 to \$777 million. Unfortunately, the District is not always drawing Federal assistance when it is needed for program purposes; consequently, the District advances its own funds for payment of vendors and beneficiaries. This causes the city to waste limited resources that could be used elsewhere. In some cases, the

District has been unable to pay vendors and beneficiaries for lack of funds in its treasury while Federal grant funds for these program purposes were undrawn from Federal program agencies.

Under provisions of the **Cash Management Improvement Act of 1990 (CMIA)**, the District, as well as States and U.S. Territories, must draw down grant funds from Federal program agencies so that they are received by the State (city) just in time for their disbursement for program purposes. CMIA provides for the exchange of interest where funds are drawn early or provided late.

Both the Departments of **Health and Human Services (HHS)** and **Agriculture (USDA)** have met with representatives from the District's Office of Grants Management and Development and have begun work on a two-part project to: (1) document unresolved claims and initiate appropriate drawdown procedures, and (2) provide technical assistance and training to District staff to revise drawdown procedures and expedite future grant drawdowns. FMS is providing guidance regarding the CMIA requirements and has offered the expertise of its Center for Applied Financial Management. The **Department of Education** indicates it is also available to provide assistance.

At the summit, D.C. Mayor **Marion Barry** provided an "Executive Perspective," while City Administrator **Michael Rogers** addressed strategic planning and performance measurement, and **John Hill** of the Financial Control Board spoke about the "Control Board's Role in Grants Management." **Anthony Williams**, the city's Chief Financial Officer, discussed "Grants Management—The New Look." **Angela Avant**, the D.C. Inspector General; **Earl Cabell**, the D.C.

Controller; and **Sandra Manning**, the Director of the Office of Grants Management and Development, discussed process improvements in the administration of Federal grants. **Fred Williams** of the FMS CMIA Project Team provided an overview of the CMIA requirements and discussed process improvements that

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Grants Training Conference Set

ON JUNE 30 and July 1, the **National Grants Management Association's (NGMA)** will conduct its 18th-annual training conference at the Washington Marriott Hotel in Washington, DC. The theme of this year's conference is the "Bridge to the 21st Century—What does it mean for YOU?" Panels and speakers will cover a diversity of topics, including:

- Government Performance and Results Act (GPRA) Update—Where Are We Now?
- Office of Management and Budget (OMB) Update
- Grants Law
- Electronic Grants Administration
- Bridging Program and Financial Management
- Impact of A-133 on Grantees
- Ethics in Grants: Is it Jeopardy?
- Research: What Does the Future Hold?
- Bridging Relationships: State, Local, and Non-Profits
- Cost Allocation: Emerging Issues

Broaden your knowledge and network with colleagues in the grants profession by attending this year's conference. For registration information, contact the NGMA Business Manager on (301) 871-0930. To learn more about the conference, contact Carolyn Austin-Diggs or Vallerie Krain of FMS on (202) 874-6510.

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Collecting What Is Rightfully Due

WE HAVE ENTERED into a new era in Federal Government debt collection with the Debt Collection Improvement Act of 1996—the most significant piece of debt collection legislation since the passage of the Debt Collection Act of 1982. Enactment of this legislation has caused a major shift in the way Government conducts business and manages its finances by centralizing the debt collection function Governmentwide.

Secretary Rubin designated the Financial Management Service as the lead organization for this new business. In fulfilling that role, FMS develops and implements the Governmentwide debt management policies and provides direct debt collection and debt management services to all Federal agencies.

Within FMS, there is a new organization, called Debt Management Services (DMS), that oversees this effort. We are working very closely with all the Federal program agencies to ensure a smooth transition of the program responsibilities.

The program has a very clear vision: to protect the financial interests of the American taxpayer; and to treat delinquent debtors fairly while collecting what is rightfully due. Our goals are simple: reduce our losses, treat our debtors fairly and consistently, maximize the amount we collect and minimize our cost to collect, ensure that the public knows what we are doing and of their obligations to repay Government debts, avoid needless lawsuits, and ensure that our employees are properly trained to do their jobs.

Every Federal agency has the responsibility to: implement effective debt collection programs, streamline debt collection processes, be able to share information, and use state-of-the-art technology.

The Debt Collection Improvement Act of 1996 protects the rights of the

debtor before the debt is collected; enhances our ability to collect from those people who owe money to the Federal Government; provides a mechanism for the Government to stop paying people who are past due on amounts they owe the Government; expands the authority for Federal agencies to service and collect debts for each other, so that agencies do not need to duplicate collection programs; allows more Federal agencies to use private debt collectors; and expands the use of private attorneys to help collect Federal debts.

When fully operational, we expect the following benefits: increased revenue of more than \$1 billion, reduction of the Federal deficit and reduced delinquencies, improved use of technology, a more motivated workforce, and equal treatment of delinquent debtors.

This new program demonstrates our commitment to changing the way the Government does business and protecting the interests of the American taxpayer. Most debts in the private sector—95 percent—are paid on time. Only 1 or 2 percent ever become seriously past due and require dramatic action to collect.



Virginia B. Harter
Debt Management Services

The Federal Government cares about collecting its debt and is going to take serious steps to ensure that we are repaid in a timely manner.

These are new and exciting times for FMS, and we expect the challenging journey will continue to be a rewarding experience for us. I am thrilled that the Debt Management Services organization is apart of this. There will be many challenges ahead not only for FMS but also for all of our colleagues within the Federal Government.

Many Credited for Debt Conferences' Success

ON BEHALF OF the Financial Management Service, the Assistant Commissioner and Deputy Assistant Commissioner of Debt Management Services (DMS) want to collectively thank everyone who willingly dedicated his or her valuable time and worked tirelessly to enable DMS to meet its goal of conducting 17 debt collection training conferences in that number of cities across the United States. A special thank-you goes to the 15 speakers and support staff from DMS and the 25 persons in the **Department of Justice's Executive Office for United States Attorneys**, numerous assistant United States attorneys' offices, Debt Accounting Operations Group, and the Nationwide Central Intake Facility who teamed up and successfully trained approximately 1,700 Federal employees and private sector personnel involved in debt collection.

What DMS is most proud of is the fact that within 8 months of **President Clinton** signing the **Debt Collection Improvement Act of 1996**, more than 400 Federal agencies, 62 private sector businesses, and 1 State office, in cities from New York to Seattle and Albuquerque to Washington, had received 2-day training on the law and the new requirements that Federal agencies must meet immediately to be in compliance. **FC**

Treasury Forges Alliance With Agencies to Develop EFT Policy

By MARTHA THOMAS MITCHELL

SINCE THE ONSET of the Debt Collection Improvement Act of 1996, the Financial Management Service's Cash Management Policy and Planning Division has been actively working with agencies to gain their perspectives on the impact of the electronic funds transfer (EFT) legislation.

To provide a forum by which they could voice their concerns, an Interagency Policy Workgroup was established comprised of representatives from 24 Chief Financial Officer (CFO) agencies having the largest payment volumes. It was created to assist FMS in addressing issues related to the mandatory EFT conversion, to work together with other agencies and the Department of the Treasury to resolve EFT issues, and to give agencies the opportunity to provide input into Treasury's policy formulation and regulations on EFT. The workgroup met six times from August through February.

To further discuss pressing issues in greater detail common to a group of agencies, five subgroups were formed from the main workgroup covering: Vendor Payments, Imprest Fund Payments, International Payments, Emergency/Disaster Payments, and Real Estate Payments. The subgroups met weekly from September through January. They were directed to identify top issues of concern; determine how they could be addressed or resolved; name constraints or obstacles to resolving issues; and, where possible, make recommendations in formulating Treasury's final rule on mandatory EFT.

A brief overview follows of key issues identified by each subgroup in its final report to FMS and the workgroup:

VENDOR PAYMENTS SUBGROUP

The subgroup, which consisted of approximately 30 members, was the largest, a reflection of the prominence of this issue within the Federal Government. Subjects considered included, as they related to mandatory payment of vendors by EFT: prompt payment, the Federal Acquisition Regulation (FAR), vendor enrollment, remittance data, small and nonrecur-

ring payments, and exception payments. Organizations represented included the Departments of **Agriculture (USDA), Commerce, Defense (DOD), Education, Energy (DOE), Health and Human Services (HHS), Interior (DOI), Justice (DOJ), Labor (DOL), Transportation, Treasury, and Veterans Affairs (VA); Social Security Administration (SSA); Financial Implementation Team for Electronic Commerce**

(FITEC); Environmental Protection Agency (EPA); Federal Emergency Management Agency (FEMA); General Services Administration (GSA); National Aeronautics and Space Administration (NASA); National Science Foundation (NSF); Office of Personnel Management (OPM); Small Business Administration (SBA); Railroad Retirement Board (RRB); and National Finance Center (NFC).

Key issues considered were the: difficulty of vendors to obtain remittance information when payments are made by EFT; sensitivity of vendor's bank account

information (privacy); lack of effective methods for vendor reporting, or Government collection and maintenance, of bank account information; and difficulty for some vendors to accept EFT payments, or for the Government to pay by EFT.

IMPREST FUND SUBGROUP

The subgroup consisted of representatives from USDA, DOJ, DOL, **National Institutes of Health (NIH)**, VA, and Treasury and identified major issues of concern regarding imprest fund and third-party draft payments.

Key issues concerned: unbanked recipients, such as VA and NIH patients, and ex-prisoners, who have no choice but to do business with the Government; unbanked recipients, such as research project volunteers, who voluntarily do business with the Government; rural vendors, such as "Mom-and-Pop" stores, that do not accept credit cards or have bank accounts; small, incidental payments, less than \$50 for nontraditional customers, such as car-washing, COD orders, and airport parking fees; and advance

**VENDOR PAYMENTS
IMPREST FUND
INTERNATIONAL PAYMENTS
EMERGENCY/DISASTER
PAYMENTS
REAL ESTATE PAYMENTS**



SALLY PHILLIPS, center, FMS Project Manager for EFT Payments Policy, leads the meeting at which subgroups gave their final reports. Agency representatives making presentations were: Ron Taylor, GSA; Jim Bates, SBA; and James Alsop, Walt Porzel, and Karen Day, USDA.



Marijes Brownell

payments to non-Federal employees such as firefighters for R & R.

INTERNATIONAL PAYMENTS SUBGROUP

The subgroup, which focused on issues of concern to agencies that make international payments, consisted of various participants from the **Department of State, U.S. Agency for International Development, USDA, DOD, and SSA.**

Key issues were: cultural barriers to Direct Deposit payments to a beneficiary's bank account abroad, nonrecurring or one-time disbursements to vendors in foreign countries, and U.S. disbursing officers in embassies or posts continuing to issue checks or pay cash for salaries.

EMERGENCY/DISASTER PAYMENTS SUBGROUP

The subgroup was represented by individuals from SBA, HHS, USDA, and FEMA. It focused on issues dealing with the victim's needs during a disaster and in recovery.

Key issues were: the inability to use EFT during and immediately following an emergency/disaster because it doesn't exist, and the inability to use EFT during and immediately following an emergency/disaster because it may not be practical or in the best interests of disaster victims.

REAL ESTATE PAYMENTS SUBGROUP

The subgroup had representatives from USDA, the **Department of Housing and Urban Development, VA, DOI, GSA, SBA, and DOD.** It identified issues regarding real estate disbursements.

Key issues considered were: one-time payments of court or recording costs required to file or record a corrected legal document; refund of fees and charges collected from onetime program participants; and program loans and grant funds disbursed

electronically to the borrower's account to coincide with the closing, creating problems since some State statutes prohibit the issuance of bonds without exchange of funds at closing.

Agencies' Participation—The Key to Success

FMS commends the workgroup for their allegiance to this initiative and thanks those from out of town who took time from their busy schedules to work with FMS and the groups to exchange valuable ideas and information. The positive outcome could not have been achieved without the support, cooperation, and dedication of this workgroup.

Next Steps

Based on the final reports provided by each subgroup, FMS is currently developing general policy statements to cover all issues of concern, and standards are being finalized to create a criterion for waivers. The ultimate goal is to publish a notice of proposed rulemaking by mid-1997. In addition, agencies are participating in a focus group to research bank-related issues. The objective is to identify options and make recommendations for EFT account and payment alternatives.

For more information concerning issues related to the mandatory EFT conversion and development of the final regulations and implementing guidelines, call Sally Phillips on (202) 874-6749, Diana Shevlin on 874-6591, or Martha Thomas Mitchell on 874-6757. [FC](#)

GET DIRECT DEPOSIT